



## Main features of the labour policy in Portugal

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# *Main features of the labour policy in Portugal*<sup>1</sup>

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## EMPLOYMENT POLICY

### 0.1. Time regimes - time use, flexibility, part-time work, work-life balance

In Portugal the average normal weekly working time in 2004 for full-time workers as set by collective bargaining, across the whole economy, was 38.4 hours. Portugal has set the maximum weekly hours at 40 hours. However, weekly hours may be increased by agreement, if maximum is maintained on average over a reference period. The statutory maximum working day in Portugal is 8 hours, however, daily hours may be increased to 13 under hours-averaging schemes.

How many hours do workers actually work in a given week in Portugal (including overtime)? In 2003, a Portuguese full-time employee usually worked 40.1 hours per week. Men's average usual full-time hours are longer than women's. In 2003, part-time employees usually worked 20.3 hours per week.

The average collectively agreed annual paid leave in 2004 was 24.5 days. Statutory minimum annual paid leave was 22 days (Carley 2005b).

In the public sector (central civil service) the collectively agreed normal weekly hours in 2004 were 35 hours (Carley 2005b). Further Information on the specific sectors:

**Tab. 7: Working time**

Sector	Working hours/weekly (1998) ( <i>Periodo normal de trabalho</i> )	Working hours (2002) ( <i>Periodo normal de trabalho</i> )
Textile industry ( <i>Indústria têxtil</i> )	39.0	39.4
Food industry ( <i>Indústria alimentares, das bebidas e do tabaco</i> )	39.2	39.2
Information & Communication Technology; Software ( <i>Actividades informáticas e conexas</i> )	38.5	38.7
Public administration; Information; Services for citizens		
- Public administration ( <i>Administração pública, defensa e seg. soc. obrigatória</i> )	37.6	36.4
- Education ( <i>educação</i> )	35.0	32.7
- Health; Social Service ( <i>Saúde e acção social</i> )	38.0	37.3
- Other services ( <i>outras serv.</i> )	37.8	37.1
Postal services ( <i>Correios e telecomunicações</i> )	38.3	38.5
Average working hours Portugal (all sectors)	38.7	38.3

Source: MTSS (2001), p. 115; MTSS (2003), p. 133.

**Tab. 8: Overtime**

Sector	Overtime/weekly (1998) (Duração média semanal do trabalho extraordinário)	Overtime/weekly (2002) (Duração média semanal do trabalho extraordinário)
Textile industry ( <i>Indústria têxtil</i> )	4.1	3.6
Food industry ( <i>Indústria alimentares, das bebidas e do tabaco</i> )	4.3	4.8
Information & Communication Technology; Software ( <i>Actividades informáticas e conexas</i> )	3.9	4.6
Public administration; Information; Services for citizens - Public administration ( <i>Administração pública, defensa e seg. soc. obrigatória</i> ) - Education ( <i>educação</i> ) - Health; Social Service ( <i>Saúde e acção social</i> ) - Other services ( <i>outras serv.</i> )	2.5  4.1 4.6 4.3	4.3  4.3 4.8 4.1
Postal services ( <i>Correios e telecomunicações</i> )	3.2	2,7
Average overtime Portugal (all sectors)	4.6	4.3

Source: MTSS (2001), p. 122; MTSS (2003), p. 135.

## 0.2. Work contracts regimes – wages, contract types, diversity

*Pay increase:*

In 2004 nominal pay in Portugal increases (Paz Campos Lima/Naumann 2005; Carley 2005a):

- in the private sector, the average nominal wage increase contained in collective agreements was 2.9%, corresponding to a growth of real wages of 0.3%.
- in the sector “public administration”, the average nominal wage increase was 2.0%.

**Tab. 5: Pay rises, 2003-2004**

	2003	2004
Average nominal wage increases by collective agreements in private sector (in %)	2.9	2.9
Nominal increase in public administration (basic rates, in %)	1.5 (*)	2.0 (*)

(\*) applies exclusively to salaries of EUR 1,000 maximum a month

Source: Paz Campos Lima/Naumann 2005, p. 2.

In the public sector (central civil service) the nominal pay increase was 2.0% in 2004, which is lower than the average of all EU-countries of 4.3% (Carley 2005a).

Minimum Wage: Portugal is one of the 18 countries which have a national minimum wage. The amount fixed for 2004 is 365.60 Euro per month. The increase in the minimum wage in 2004 was 2.5%, so that the increase in minimum wage lagged behind average collective agreed increases and behind average increases of minimum wages of 6.2% (Carley 2005a). In 2004 the overall percentage of employees in Portugal who receive only the minimum wage was fairly small: 5.5% (men 4.0%; women 7.5%). In 2004 the minimum wage in Portugal ranges at 40.7% of average earnings in industry and service sector (EMIRE-Glossary; Regnard 2005).

In Portugal the government sets the national minimum wage rate. The minimum wage fixing is by collective agreements. Since 1980 an Inter-ministerial Working Party has carried out the annual evaluation of the socio-economic repercussions of a revision of the minimum wage. The report of the working party is submitted for evaluation by the standing committee for Social Consultation of the Economic and Social Council/Comissão Permanente de Concertação Social do Conselho Económico e Social (ILO-Minimum Wages Database).

The increase in average earnings in Portugal in 2003 was 4.5%<sup>2</sup> (Carley 2005a). Some information on the specific sectors can be found in the next table:

**Tab. 6: Income from employment**

Sector	Income from employment/Euro (2002)
Textile industry ( <i>Indústria têxtil</i> )	467.94
Food industry ( <i>Indústria alimentares, das bebidas e do tabaco</i> )	620.10
Information & Communication Technology; Software ( <i>Actividades informáticas e conexas</i> )	1,448.90
Public administration; Information; Services for citizens	
- Public administration ( <i>Administração pública, defesa e seg. soc. obrigatória</i> )	1,055.95
- Education ( <i>educação</i> )	805.61
- Health; Social Service ( <i>Saúde e acção social</i> )	581,21
- Other services ( <i>outras serv.</i> )	810,95
Postal services ( <i>Correios e telecomunicações</i> )	1,145.72
Average income Portugal	687.48

Source: MTSS 2003, p. 139.

<sup>2</sup> The earning figures base on individuals' earnings and including elements such as bonuses and overtime pay (Carley 2005).

The table shows that the earnings in the textile as well as in the food industry is lower than the average earnings.

## **1. EDUCATION AND TRAINING**

The National Action Plan for Employment (NAP) is the main instrument for the labour market policy in Portugal. It materializes the compromise assumed by the Portuguese State, within the scope of the Extraordinary Summit on Employment of Luxembourg, held in November 1997, towards the implementation of the guidelines on employment which were agreed then. The NAP transposes to the Portuguese reality the contents of such guidelines, with the adequate adjustments required by the national specificities, establishing objectives, quantified targets and action deadlines, as well as defining new programmes and measures.

The approach to the National Action Plan for Employment was developed in co-ordination with the four pillars which sustain the European employment strategy: to improve employability, to foster the entrepreneurship, to encourage the adaptability of the workers and the enterprises and to strengthen the policies on equal opportunities. Institutions involved:

- Ministério do Trabalho e Segurança Social. In general the Ministry of Labour and Social Solidarity is responsible for national labour policy (Moniz 2002).
- IEFP - Instituto do Emprego e Formação Profissional (Employment and Vocational Training Institute): Public body under the auspices of the Ministry of Labour and Social Solidarity. Responsible for executing the employment and vocational training policies defined and approved by the government. The social partners are represented in IEFP. IEFP incorporates 86 job centres (URL://<http://www.iefp.pt>).
- Standing Commission for Social Dialogue (SCSD): specific meeting at the end of each quarter to analyse the evolution of income, the economy's progress, conditions of company activities, and the dynamics of collective bargaining); monitoring and evaluation of the implementation of NAP; involvement of social partners (Moniz 2002; URL:<http://www.ces.pt>).

### **1.1. Skilling outcomes**

In general active labour market measures in Portugal aim at supporting unemployed persons. At present labour market measures reorient on improving qualification and training, because unemployment in Portugal is mainly a result of lacking or inadequate education and vocational training (Moniz 2002).



## **1.2. *Rules on retraining and further training***

In February 2006, the Portuguese union and employer confederations concluded a bipartite agreement on vocational and educational training (VET). The agreement aims to include VET as a priority in collective bargaining, to strengthen the social partners' position in all relevant bodies concerning VET and to create new tools to support and monitor VET (Paz Campos Lima/Neumann 2006a).

For both sectors, comprehensive induction programmes were run for staff to smooth the transition and familiarise staff with the organisational vision and policies.

## **1.3. *Employability schemes***

Regulation of labour market policies in Portugal by means of National Action Plan on Employment (NAP). NAP sets the national strategic objectives (Moniz 2002). The improvement of employability conditions is considered a powerful instrument to better adapt the labour supply and demand with a view to increase the levels and the quality of employment.

## **1.4. *Transferability of skills***

The strengthening of adaptability, also favoured by many of the specific objectives contained in the Plan on Employment, will greatly depend on the capacity to materialise social partnerships that promote an increased weight of training of the working population in enterprises, namely the small and medium sized ones.

# **2. *EQUAL OPPORTUNITY***

## **2.1. *Relevance of equal opportunity regulation for restructuring outcomes***

Active labour market programmes support employment creation, qualification measures, social development and gender equality. Employment creation occurs with the assistance of institutions and enterprises that provide permanent or full time jobs. Employment creation is funded by state subsidiaries. Salaries of the new jobs have to correspond with the national minimum wage. The social partners are involved in the execution of the national employment programmes (Moniz 2002).

On the other hand, the Equal Opportunities for Men and Women pillar shall be developed with a strong emphasis on its cross-relations with the different instruments for the Plan of Employment implementation.

## **2.2.     *The role of gender and age regulation***

- Local (decentral) regulation (Moniz 2002):
  - Adoption of regional employment plans and employment pacts to implement the objectives of the National Action Plan on Employment (NAP);
  - Monitoring of implementation of NAP; social partners are involved in the monitoring process;
  - Involvement of local actors; development of local networks;
  - Reform of public labour administration: strengthening of public labour administration; support service for unemployed people (special measures for young people, long-term unemployed and unemployed women); modification of unemployment insurance; promotion of part-time work.

The adequate insertion of the youngsters into working life is one of the top priorities of the Portuguese employment policy, since one of the main critical factors of the labour market resides in youth unemployment. Youth unemployment stands for 31% of the total unemployment figure and the prolonged nature of that type of unemployment is significant.

The priority is the strengthening of active policies to fight youth unemployment carried out through three main vectors: a) broadening and improving the quality of skill training for the youngsters; b) intensifying the participation of the youngsters in programs that approach professional performance, namely through periods of training; and stimulating the recruitment of the youngsters.

## **3.       *RESTRUCTURING EFFECTS***

### **3.1.     *Policy on transfer of personnel***

- Basic principles of Portuguese labour policy (Moniz 2002):
  - Modernisation of education system;
  - Development of professional vocational training in co-operation with the economy;
  - Reorientation and intensification of vocational training and retraining;
  - Development of exemplary measures for labour market integration/development of active instruments and measures for labour market integration of deprived social groups;

- Promotion of business start-ups (in particular SME);
- Employment incentives/employment creation in new fields of employment.

### **3.2. *Policy on redundancies***

Long Term Unemployment (LTU) is particularly high in Portugal. Reaching in 1998, 44,6% of the total unemployment figure, the very long-term unemployment being extremely high. The LTU is particularly high among the low schooled employed and mainly affects the young adults (25-44 years of age) specially women. The national priorities for the fight against LTU run along three main vectors: a) to consolidate the basic qualification of the unemployed so as to increase their professional reinsertion capacity; b) to develop the qualifying training bringing them closer to working environments and inserting, when appropriate, logics of professional reconversion retraining; c) to promote job creation mainly focusing on the development of the capacity to create self-employment (self-employment, employment in micro-units, employment in the cooperative sector); d) to intensify the initiatives for professional insertion and reinsertion of the long term unemployed; and e) to struggle long term unemployment among women.

There is the objective of guaranteeing a new opportunity for all unemployed adults within 12 months of becoming unemployed, in all the areas covered by pacts and regional employment networks, and to broaden by 25% professional training for unemployed adults and long term unemployed adults, focusing on the training for employability.

### **3.3. *Participation or voice in restructuring***

In principal the involvement of social partners plays a decisive role in Portuguese Labour Market policy (Moniz 2002). At the institutional level and parallel to the direct involvement in its implementation, the participation of the social partners in the follow-up of the Plan of Employment (NAP), both in terms of evaluation and the discussion of its adjustments, is promoted at the level of the Standing Commission for Social Dialog (SCSD). This Commission has the direct participation of social partners.

However during the year 2004 the Ministry of Labour registered a dramatic fall in collective bargaining. Trade unions and employer's confederations speak of a crisis in collective bargaining and they agree that its reasons are twofold: (1) the economic crisis that limits employer's margin for wage increases; (2) the new Labour Code, which establishes that collective agreements will expire if one of the signatories refuses to renew them. Paz Campos Lima and Naumann deduce that a considerable number of employers' associations are therefore strongly interested in abolishing existing agreements and in order to achieve this aim they have stopped the collective bargaining process (Paz Campos Lima/Naumann 2005). After the collapse of the

number of collective agreements in 2004, at the beginning of 2005, the confederations represented in the Standing Committee for Social Concertation signed a bilateral agreement to deal with the situation. As a result the number of signed agreements increased in 2005. Furthermore the number of employees covered grew from 600,000 to one million employees. Despite that the number of workers covered by renewed agreements remains at a level below the average of previous years. The majority of delayed negotiations are in the manufacturing sector (Paz Campos Lima/Naumann 2006b).

Since 2000 the Portuguese trade union confederations CGTP (Confederação Geral dos Trabalhadores Portuguese – General Confederation of Portuguese Workers) and UGT (União Geral de Trabalhadores – General Workers’ Union) are rationalising and restructuring their organisations (e.g. reducing the number of member unions, financial restructuring). On the other hand two Portuguese trade organisations, the AEP (Associação Empresarial de Portugal – Portuguese Business Association) and the AIP (Associação Industrial Portuguesa – Portuguese Industrial Association), made further attempts to gain more influence within the institutionalised social dialogue (Pay Campos Lima/Naumann 2005).

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